

State of Alaska FY2008 Governor's Operating Budget

**Office of the Governor
Performance Measures**

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RDU/Component: Office of Management and Budget*(There is only one component in this RDU. To reduce duplicate information, we did not print a separate RDU section.)***Contribution to Department's Mission**

To ensure the state's financial resources are budgeted and managed in a way that produces results that advance the Governor's priorities.

Core Services

- Prepare, secure its approval, and implement the Governor's Budget.
- Guide agencies for continuous improvement of services.

End Results	Strategies to Achieve Results
<p>A: Achieve long-term fiscal stability in the State of Alaska</p> <p><u>Target #1:</u> Balance expenditures with revenue within a five-year period</p> <p><u>Measure #1:</u> Annual percentage of recurring expenditures paid for by current year revenues</p>	<p>A1: Reduce reliance on Constitutional Budget Reserve in order to balance budget</p> <p><u>Target #1:</u> No greater than a \$400 million draw from the Constitutional Budget Reserve annually</p> <p><u>Measure #1:</u> Annual amount drawn from the Constitutional Budget Reserve</p> <p><u>Target #2:</u> Reduce percentage of general fund budget funded from the Constitutional Budget Reserve from FY2003 level of 20%</p> <p><u>Measure #2:</u> Percentage of general fund budget funded from the Constitutional Budget Reserve</p> <p><u>Target #3:</u> Maintain \$1 billion Constitutional Budget Reserve balance</p> <p><u>Measure #3:</u> Fiscal year beginning balance of the Constitutional Budget Reserve</p> <p>A2: Fund initiatives that over time will provide increased revenue to the State</p> <p><u>Target #1:</u> Increase revenue from new initiatives funded during the fiscal year</p> <p><u>Measure #1:</u> Amount of projected revenue increases due to new initiatives funded during the fiscal year</p> <p>A3: Maintain the State's excellent credit rating</p> <p><u>Target #1:</u> Maintain Aa2 or AA credit rating</p> <p><u>Measure #1:</u> Actual credit rating</p>
End Results	Strategies to Achieve Results
<p>B: Departments show improvement towards their performance targets</p> <p><u>Target #1:</u> 90% of departmental performance measures are showing annual progress towards achieving desired end results.</p>	<p>B1: Improve the agencies' capacity to link activities to end results</p> <p><u>Target #1:</u> 98% of agencies have performance measures that indicate whether results are being achieved and report on those measures annually (minimum)</p>

Measure #1: Percent of departmental performance measures showing improvement

Measure #1: Percent of agencies with performance measures reported annually

Major Activities to Advance Strategies

- Strategic planning work sessions
- Produce performance management plans
- Continued performance management training and coaching
- Identify, prioritize and fund traditional responsibilities
- Develop and propose appropriate legislation
- Collaborate with departments
- Research and analyze new service improvement ideas
- Public outreach
- Identify priority programs and projects set out by the Governor
- Implement budget software enhancements

FY2008 Resources Allocated to Achieve Results

FY2008 Component Budget: \$2,477,000

Personnel:

Full time	21
Part time	0
Total	21

Performance Measure Detail

A: Result - Achieve long-term fiscal stability in the State of Alaska

Target #1: Balance expenditures with revenue within a five-year period

Measure #1: Annual percentage of recurring expenditures paid for by current year revenues

Percent of Expenditures Paid for by Revenues

Fiscal Year	YTD Total
FY 2008	100% (projected)
FY 2007	100% (projected)
FY 2006	100%
FY 2005	99.1%
FY 2004	96.8%
FY 2003	82%
FY 2002	64.8%

A1: Strategy - Reduce reliance on Constitutional Budget Reserve in order to balance budget

Target #1: No greater than a \$400 million draw from the Constitutional Budget Reserve annually

Measure #1: Annual amount drawn from the Constitutional Budget Reserve

Amount Drawn From the Constitutional Budget Reserve (in millions)

Fiscal Year	YTD Total
FY 2008	\$0.0 projected
FY 2007	\$0.0 projected
FY 2006	\$0.0
FY 2005	\$34.9
FY 2004	\$10.8
FY 2003	\$498.1
FY 2002	\$884.3

Target #2: Reduce percentage of general fund budget funded from the Constitutional Budget Reserve from FY2003 level of 20%

Measure #2: Percentage of general fund budget funded from the Constitutional Budget Reserve

Budget Percentage Funded from Constitutional Budget Reserve

Fiscal Year	YTD Total
FY 2008	0% projected
FY 2007	0% projected
FY 2006	0%
FY 2005	.01%
FY 2004	.5%
FY 2003	20%

Target #3: Maintain \$1 billion Constitutional Budget Reserve balance

Measure #3: Fiscal year beginning balance of the Constitutional Budget Reserve

Beginning Balance of the Constitutional Budget Reserve (in millions)

Fiscal Year	YTD Total
FY 2008	\$2,600.0 (projected)
FY 2007	\$2,423.7
FY 2006	\$2,235.7
FY 2005	\$2,155.1
FY 2004	\$2,093.6
FY 2003	\$2,466.9
FY 2002	\$3,110.1

A2: Strategy - Fund initiatives that over time will provide increased revenue to the State

Target #1: Increase revenue from new initiatives funded during the fiscal year

Measure #1: Amount of projected revenue increases due to new initiatives funded during the fiscal year

Amount of Projected Revenue Increases due to New Initiatives (in millions)

Fiscal	YTD Total
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Year	
FY 2008	unknown at this time
FY 2007	\$1,270.0
FY 2006	\$276.1
FY 2005	\$175.4
FY 2004	\$70.1

Analysis of results and challenges: The amount for FY07 reflects \$1.1 billion from implementation of the petroleum production tax that was effective April 1, 2006 and \$170 million from tobacco bond refinancing.

The amount for FY06 reflects \$191.1 million, a full year of the ELF adjustment, and \$85 million in Alaska Student Loan Corporation bond proceeds.

The amount for FY05 reflects \$55.4 million due to the partial year implementation of the economic limit factor (ELF) adjustment, \$45 million in Alaska Housing Finance Corporation bond proceeds, and \$75 million in Alaska Student Loan Corporation bond proceeds.

The amount for FY04 reflects several fee and license increases.

A3: Strategy - Maintain the State's excellent credit rating

Target #1: Maintain Aa2 or AA credit rating

Measure #1: Actual credit rating

State of Alaska's Credit Rating Moody's/Standard & Poor's/Fitch

Fiscal Year	Rating by Entity	Outlook by Entity
FY 2008	Aa2/AA/AA (projected)	Stable/Stable/Stable (projected)
FY 2007	Aa2/AA/AA	Stable/Stable/Stable
FY 2006	Aa2/AA/AA	Stable/Stable/Stable
FY 2005	Aa2/AA/AA	Stable/Stable/Stable
FY 2004	Aa2/AA/AA	Negative/Stable/Stable
FY 2003	Aa2/AA/AA	Negative/Stable/Stable

Analysis of results and challenges: Alaska is currently at the third most positive credit rating; there are only two higher levels.

The range of outlooks run from Positive, Stable, Negative, Credit Watch. A "Credit Watch" outlook is indicative of an upcoming rating decrease. The impact of a one step rating change is an interest rate change of 10-50 basis points (or 0.1% to 0.5%).

It is unlikely that Alaska's credit rating will improve for several reasons: lack of a comprehensive fiscal plan, narrow revenue base (oil production), and debt repayment capacity. The prospect of issuing a large amount of debt (currently estimated at \$3-4 billion) to finance the gas pipeline, albeit accompanied by a large annual revenue stream, could have an unknown effect on the state's credit rating. That said, however, the fact that the Permanent Fund has a balance of \$35.4 billion makes Alaska unique in the credit markets.

B: Result - Departments show improvement towards their performance targets

Target #1: 90% of departmental performance measures are showing annual progress towards achieving desired end results.

Measure #1: Percent of departmental performance measures showing improvement

Percent of Performance Targets Showing Improvement

Year	YTD Total
2007	
2006	75%
2005	75%
2004	48%

B1: Strategy - Improve the agencies' capacity to link activities to end results

Target #1: 98% of agencies have performance measures that indicate whether results are being achieved and report on those measures annually (minimum)

Measure #1: Percent of agencies with performance measures reported annually

Percent of Agencies with Performance Measures Reported Annually

Year	YTD Total
2007	
2006	98%
2005	96%
2004	57%